

AR52

April 10, 1987

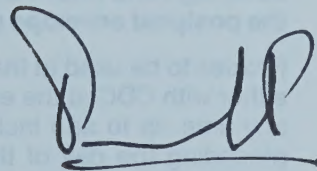
Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders on Wednesday, May 27, 1987 at 11:00 a.m. in the Commerce Hall, Commerce Court West, in Toronto. The Notice of Meeting and Management Proxy Circular, which are contained in the following pages, outline the actions to be taken by shareholders at the meeting.

I sincerely hope that you will be able to attend this meeting. However, if you do not plan to be present, I would appreciate your taking a few minutes now to complete, sign and return your proxy in the envelope provided so that your shares can be voted at the meeting in accordance with your instructions. Regardless of the number of shares you may own, your vote is important.

Thank you for your continued interest in CDC.

Very truly yours,



Pierre Côté
Chairman of the Board

**NOTICE OF MEETING
OF SHAREHOLDERS**

The Annual Meeting of Shareholders of Canada Development Corporation will be held in Commerce Hall, Concourse level, Commerce Court West, King and Bay Streets, Toronto, Ontario on Wednesday, May 27, 1987, at 11:00 in the morning, for the purposes of:

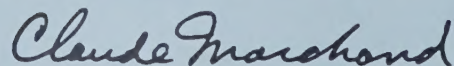
1. receiving the report of the directors, the financial statements for 1986 and the report of the auditors;
2. electing directors;
3. appointing auditors;
4. transacting such other business as may properly be brought before the meeting.

Your vote is important regardless of the number of shares you own. Shareholders who are unable to attend the Meeting in person are asked to fill in, date, sign and return the enclosed form of proxy in the postpaid envelope provided for that purpose.

Proxies to be used at the Meeting must be deposited either with CDC at the executive offices in Toronto at any time up to and including the last business day preceding the day of the Meeting (or any adjournment of the Meeting), or with the Chairman of the Meeting on the day of the Meeting or the day of the adjournment.

Holders of 1983 senior preferred shares are welcome to attend the meeting but are not entitled to vote.

By order of the Board of Directors



Claude R. Marchand,
Senior Vice President and Secretary

Toronto, March 31, 1987.

MANAGEMENT PROXY CIRCULAR

The Board of Directors of Canada Development Corporation ("CDC") is soliciting proxies to be used at the Annual Meeting of Shareholders to be held at the time and place for the purposes set out in the Notice of Meeting. The items of business which are explained below will be presented to CDC's shareholders at that meeting.

ELECTION OF DIRECTORS

(see item 1 on proxy form)

The Board of Directors consists of not less than 18 and not more than 21 directors (the exact number being determined by a resolution of the board). The board has fixed the number of directors at 18. Each director will hold office until the next annual election of directors or until a successor is elected or appointed.

The Board of Directors is authorized by the by-laws of CDC to elect committees of its members to assist in the discharge of the board's responsibilities. The committees of the board are: the Executive Committee, the Audit Committee, the Human Resources and Compensation Committee, and the Nominating Committee. The last paragraph of each nominee's biography identifies the committees on which such nominee currently serves.

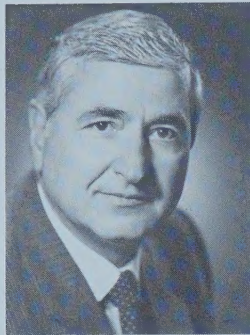
The Canada Development Corporation Reorganization Act allows the Government of Canada to appoint not more than five directors in lieu of voting its shares in the election of directors. The Government has not appointed any directors and, consequently, the common shares owned by the Government of Canada are eligible to be voted in the election of directors.

Nominees for Election

The name and a biography of the persons proposed for nomination as directors are provided below. The persons whose names are printed on the proxy form intend to vote for these nominees.

The Board of Directors of CDC is not aware of any circumstances that will cause any nominee to be unable to serve as a director. In the event that a nominee is unable to stand for election or to serve, the persons whose names are printed on the proxy form reserve the right to vote for another nominee at their discretion unless the shareholder has specified on the proxy form that his shares are to be withheld from voting in the election of directors.

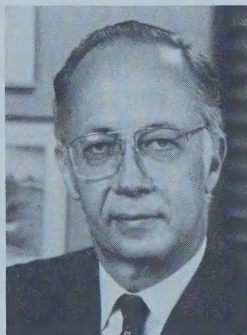
John Bruk
Director since 1981
Age: 57



Chairman, Asia Pacific Foundation of Canada.

Mr. Bruk received his B.Com (1957) and LL.B (1958) from the University of British Columbia. He lectured on legal procedures at the University of Washington during 1958-1959. In 1960 he was called to the British Columbia bar and practiced law in British Columbia until 1974. In 1975 he joined Cyprus Anvil Mining Corporation and was its President and Chief Executive Officer until July 1982 when he started to organize Asia Pacific Foundation of Canada. He is Deputy Chairman of Trilon Bancorp Inc. and a director of Weldwood of Canada Ltd., Northern Dynasty Explorations Ltd., the Vancouver Board of Trade and the Asia Pacific Business Institute, a Governor of the University of Victoria, a member of The International Council of The Asia Society, and of the Canadian Council of Christians and Jews.

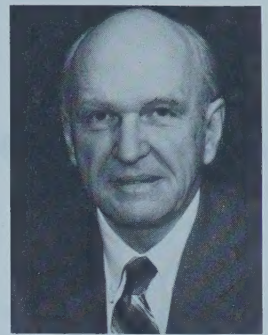
E. Kendall Cork
Director since 1986
Age: 54



Senior Vice President—Treasurer, Noranda Inc. (natural resource company).

Mr. Cork graduated with a Bachelor of Commerce degree from the University of Toronto in 1954 and for five years was a colleague of Gilbert Jackson, economist and investment counsel. He joined Noranda Mines Limited in 1959. He was appointed Assistant Treasurer in 1961, Treasurer in 1963, Vice President in 1967 and in 1980 assumed his present position. He is a Director of The Bank of Nova Scotia, E-L Financial Corporation, and other companies. He is a member of the Governing Council of the University of Toronto, and a member of the Canadian Institute of International Affairs.

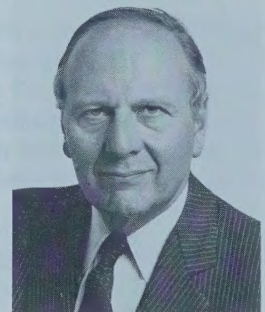
Donald G. Campbell
Director since 1986
Age: 61



Chairman, Maclean Hunter Limited (communications company).

Following service as a flying officer with the Royal Canadian Air Force in Europe during the Second World War, Mr. Campbell worked with Price, Waterhouse & Co. Inc., Noma Lites Limited and Atomic Energy of Canada, Limited. He joined Maclean Hunter in 1957 and held various executive positions in the financial area, until he was appointed President and Chief Executive Officer in 1970, Chairman and President in 1976, and Chairman and Chief Executive Officer in 1977. Mr. Campbell is a director of Canada Life Assurance Company, Hunco Limited, Interprovincial Pipe Line Limited, Steinberg Inc., Toronto-Dominion Bank and The Toronto Sun Publishing Corporation. He is also on the Board of Trustees of The Hospital for Sick Children; and is a member of the Advisory Committee, School of Business Administration, The University of Western Ontario.

Pierre Côté
Director since 1971
Age: 61



Chairman of the Board of CDC.

Chairman, Celanese Canada Inc. (diversified manufacturer of chemicals, industrial products, fibres and fabrics).

Mr. Côté joined Laiterie Laval Limitée in 1948 and remained with this firm until his appointment as Chairman of Celanese Canada Inc. in 1979. His Directorships on Boards of Canadian companies include the Bank of Montreal, Bombardier Inc., Bouverie Inc., CAE Industries Ltd., Canadian Tire Corporation, Limited, Canron Inc., The Guarantee Company of North America, the Mutual Life Assurance Co. of Canada, and Consolidated-Bathurst Inc. He is a member of the Advisory Committee of the Royal Trust Co. In 1976 he was made a member of the Order of Canada.

Mr. Côté is chairman of the executive committee and the human resources and compensation committee and a member of the nominating committee of the Corporation's board of directors. He is a director of AES Data Inc., CDC Data Systems Limited, Falconbridge Limited, Polysar Limited and Savin Corporation.

Gordon F. Hughes
Director since 1971
Age: 63



Chairman of Ocean Company Limited (financial holding company), of Evangeline Trust Company and Evangeline Savings & Mortgage Company.

Following service in the Royal Canadian Air Force in Europe, Mr. Hughes entered business and in 1957 became President of Clifton Credit Ltd. From 1968 to 1974 he served as a member of the Canadian Radio-Television Commission. He is a Director of John Labatt Limited, Sobey Leased Properties Ltd., Circuit Investment Ltd., and Annapolis Travel Ltd. and Member of Advisory Board, Oland's Breweries (1971) Ltd. In 1979 he was appointed an Officer of the Order of Canada.

Patrick J. Keenan
Director since 1985
Age: 55

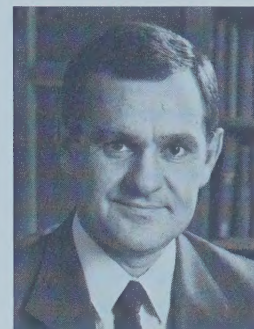


Chairman and Chief Executive Officer, Keewhit Investments Limited (investment holding company).

Mr. Keenan graduated in Commerce from McGill University and became a Chartered Accountant in 1957 and a Chartered Secretary in 1959. He joined the Patino Group in 1964 as Controller. He served the Group in London, England, from 1970 to 1975 as Chief Executive Officer and subsequently Vice Chairman of its subsidiaries, Consolidated Tin Smelters Ltd. and Amalgamated Metal Corporation Ltd. In 1975 he was appointed President and Chief Executive Officer of the parent, Patino N.V., and continued in this role until 1981 when he sold his interest along with other major shareholders. Since that date he has been active in developing Keewhit, his family investment company, and in serving as a director in Brascan Limited, London Life Insurance Company, Westmin Resources Limited, Canada Development Investment Corporation, Belmoral Mines Ltd., The Hume Group Ltd., Barnes Wines Limited, St. Michael's Hospital, Grenville Christian College and several other corporations.

Mr. Keenan is a member of the executive committee and the human resources and compensation committee of CDC.

Bernard F. Isautier
Director since 1986
Age: 44



President and Chief Operating Officer of CDC.

Mr. Isautier is a graduate of the Polytechnique School, the Mining School of Paris and the Institute of Political Sciences in Paris. From 1968 to 1970, Mr. Isautier served as Advisor on Uranium to the President of the Republic of Niger. In 1970, he joined the Ministry of Industry in Paris, France, and in 1973 he became Advisor to the Minister for Energy and Mines. In 1976, he joined the Elf Aquitaine Group as General Manager of its subsidiary in Tunisia.

Mr. Isautier came to Canada as President of Aquitaine Company of Canada Ltd. in September 1978. Following the acquisition of Aquitaine in June 1981, CDC grouped all of its oil and gas interests in Canterra Energy Ltd. Mr. Isautier served initially as President and Chief Executive Officer of Canterra and became Chairman in January 1986. He assumed his present position in September 1986. Mr. Isautier is a director of Credit Lyonnais Canada and past Chairman of the Canadian Petroleum Association.

Mr. Isautier is a member of the executive committee of CDC and a director of Canterra Energy Ltd., Falconbridge Limited, AES Data Inc., CDC Life Sciences Inc. and Polysar Limited.

Bernard Lamarre
Director since 1985
Age: 55



Chairman and Chief Executive Officer, Lavalin Inc. (engineering company and construction company).

Mr. Lamarre received his engineering degree from l'Ecole polytechnique, Université de Montréal, in 1952 and an M.Sc. in engineering from the University of London, England in 1955. He joined the firm of Lalonde & Valois which he was instrumental in developing into Lavalin, of which he is Chairman and Chief Executive Officer. In addition to being an officer or director of the 40 subsidiaries of the Lavalin group of companies, Mr. Lamarre is a director of La Laurentienne Générale, of La Banque Nationale du Canada, of Canadian General Electric, of the Royal Victoria Hospital and chairman of the Board of the Montreal Museum of Fine Arts. In 1985 he was appointed an officer of the Order of Canada and an officer of the Order of Quebec.

Mr. Lamarre is a member of the audit committee of CDC's board of directors.

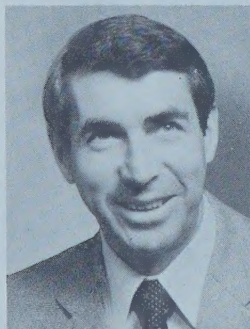
Mrs. Mary S. Lamontagne
Director since 1977
Age: 60



Mrs. Lamontagne received her Bachelor of Chemistry degree in 1948 and was awarded a Bachelor of Philosophy in 1974 and a Masters degree in 1982 from Laval University. A progressive and active member of community affairs, Mrs. Lamontagne is Vice President of Laval University Hospital and a member of the Medical Research Ethics Committee of Laval University, the National Biotechnology Advisory Committee and the Medical Research Council Standing Committee on Ethics in Experimentation. In 1976 Mrs. Lamontagne was appointed a member of the Order of Canada. Her Directorships on Boards of Canadian corporations include National Bank of Canada, North American Life Assurance Co. and the Quaker Oats Co. of Canada.

Mrs. Lamontagne is a member of the audit committees of CDC, of CDC Life Sciences Inc. and of Bio-Research Laboratories Ltd. She is a director of Allelix Inc., Bio-Research Laboratories Ltd., CDC Life Sciences Inc. and Connaught Laboratories Limited.

John R. McCaig
Director since 1981
Age: 57

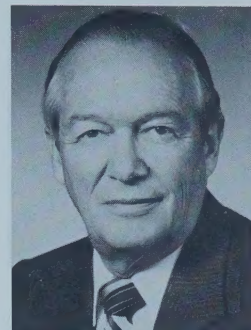


Chairman and chief executive officer, Trimac Limited (bulk highway transportation and contract drilling).

Mr. McCaig joined the family trucking business, Maccam Transport Ltd. in 1947 and when Trimac Transportation Ltd. was formed in 1961 he became president. The firm expanded into contract drilling in the late 1970's with the acquisition of Kenting Limited and, later, the Cactus Drilling companies of Dallas. He is a director of Trimac Limited, Pan-Alberta Gas Ltd., Nova, An Alberta Corporation, Bantrel Group Engineers Ltd., BCE Development Corporation, Northern Transportation Company Limited, and Banister Continental Ltd.

Mr. McCaig is a member of the executive committee, of the human resources and compensation committee and of the nominating committee of CDC's board of directors. He is a director of Canterra Energy Ltd.

Donald D. Lougheed
Director since 1986
Age: 62



Mr. Lougheed was Executive Vice President and a director of Esso Resources Canada Limited from 1981 until his retirement in September 1986. He graduated in mining engineering from the University of Alberta in 1948, and upon graduation joined Imperial Oil Limited. He had assignments in Calgary, Edmonton, Regina and Toronto and also with Exxon affiliates in Tulsa, Oklahoma, and New York City. He was appointed a Vice President of Imperial Oil Limited in 1972, was elected a director in 1975 and appointed a Senior Vice President until 1981. Mr. Lougheed is a director of the Calgary Chamber of Commerce.

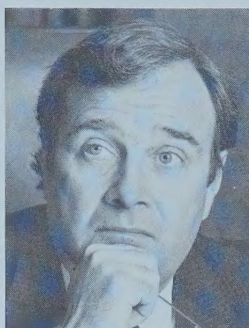
W.C.Y. McGregor
Director since 1971
Age: 68



Mr. McGregor has been National President of the Brotherhood of Railway, Airline and Steamship Clerks. He became active in BRAC affairs when he joined Canadian Pacific Ltd. after wartime service with the RCAF. In 1961 he was elected full time General Chairman of the Brotherhood's Express Board and in 1967 became International Vice President for Canada. Following establishment of a Canadian Division in 1976, he became its first National President. Mr. McGregor was a member of the 1977 Canadian delegation to the United Nations General Assembly, the Chairman of the Canadian Railway Labour Association and Vice President of the Canadian Labour Congress.

Mr. McGregor is a member of the audit committee of CDC's board of directors and is a director of AES Data Inc. and Savin Corporation.

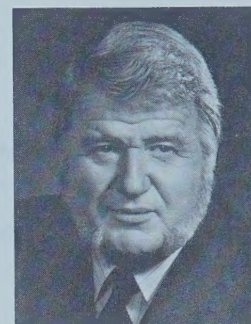
Paul E. Martin
Director since 1981
Age: 48



President and Chief Executive Officer, The CSL Group Inc., (transportation).

Mr. Martin is a graduate of The Law School of the University of Toronto and a member of the Law Society of Upper Canada. Prior to joining The CSL Group Inc. as president in 1973, Mr. Martin was a Vice President of Power Corporation of Canada and of Consolidated-Bathurst Inc. He is chairman and chief executive officer of Canada Steamship Lines Inc., Kingsway Transports Limited and Voyageur Enterprises Limited. He is a director of Fednav Limited, Imasco Ltd., Redpath Industries Limited, C.B. Pak Inc., The Manufacturers Life Insurance Company and Canadian Shipbuilding & Engineering Ltd. Mr. Martin is a Governor of the Canadian Shipbuilding & Ship Repairing Association and of Concordia University.

J. William E. Mingo
Director since 1981
Age: 60

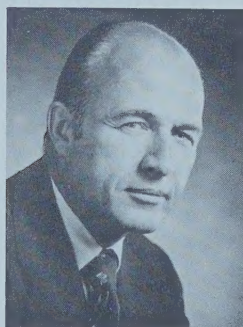


Partner of Stewart MacKeen & Covert (barristers and solicitors).

Mr. Mingo is a graduate of Dalhousie and Columbia Universities. He was admitted to the bar of Nova Scotia in 1950 and then joined Stewart MacKeen & Covert. He was appointed Q.C. in 1966 and is past president of the Nova Scotia Barristers' Society. Mr. Mingo is a director of The Royal Bank of Canada, Maritime Telegraph & Telephone Company Limited, Sun Life Assurance Company and other Canadian companies.

Mr. Mingo is a member of the audit committee of CDC's board of directors.

Maurice J. Moreau
Director since 1971
Age: 60



Mr. Moreau was Executive Vice President and Chief Operating Officer, Eldorado Nuclear Ltd. until his retirement in August, 1984. He is a graduate in engineering (B. Sc.) from the University of Saskatchewan. In 1954, he founded Geosearch Consultants Ltd. In August, 1975 he joined Eldorado Nuclear Limited as General Manager-Exploration and was appointed Executive Vice President and Chief Operating Officer in November 1979. Mr. Moreau was also President of Eldorado Resources Limited, Eldor Resources Limited and Eldorado Aviation Limited.

Mr. Moreau is chairman of the audit committee of CDC's board of directors.

Edward G. Rowe
Director since 1985
Age: 38



President of York Centre Corporation (a publicly-traded holding company).

Mr. Rowe is also President of Canaland Resources Corporation.

John G. Sheppard
Director since 1981
Age: 70



William P. Wilder
Director since 1985
Age: 64



Vice Chairman, Dofasco Inc. (primary steel manufacturer).

Mr. Sheppard joined Dofasco in 1935 and was appointed to his present position in 1982. He holds directorships on the boards of National Steel Car Limited, The Hamilton Group, Prudential Steel Limited and Simcoe Erie Investors Ltd. Active in many industrial associations, he was president of the Financial Executives Institute of Canada in 1967-68. He is also active in community, charitable and educational organizations, including McMaster University and the Royal Botanical Gardens. In 1984 he was made a member of the Order of Canada.

Mr. Sheppard is a member of the executive committee and of the human resources and compensation committee of CDC's board of directors.

Chairman of the Board, The Consumers' Gas Company Ltd. (gas distribution utility).

Mr. Wilder served in the R.C.N.V.R. on loan to the Royal Navy during the Second World War. He received a B. Comm. from McGill University in 1946 and an M.B.A. from the Harvard Graduate School of Business Administration in 1950. He joined Wood Gundy in 1946 and became its president in 1967-72. He was Chairman of the Canadian Arctic Gas Study Group from 1972 to 1977; Executive Vice President of Gulf Canada, 1977-79; President and Chief Executive Officer, Hiram Walker Resources Ltd. (and predecessor Hiram Walker—Consumers Home Ltd.) 1979-82; and Deputy Chairman, Hiram Walker Resources Ltd., May 1982—February 1984. He holds directorships on the boards of BGR Precious Metals Inc., Budd Canada Inc., Canada Life Assurance Company, John Labatt Limited, Maclean Hunter Ltd., NIM Management Limited, Noranda Inc., The Royal Bank of Canada, Sears Canada Inc., and United Corporations Ltd.

Share Ownership of Directors

The following table shows the number of CDC shares beneficially owned or controlled directly or indirectly

by the nominees for election as directors.

	Common Shares	Class B Preferred Shares	1980 Preferred Shares	1983 Senior Preferred Shares
John Bruk	—	—	2,000	—
Donald G. Campbell	5,000	—	—	—
E. Kendall Cork	2,000	—	—	—
Pierre Côte	14,381	163	5,600	—
Gordon F. Hughes	1,040	20	—	—
Bernard F. Isautier	10,000 ⁽¹⁾	—	1,100	—
Patrick J. Keenan	100,000	—	—	—
Bernard Lamarre	11,100	—	—	—
Mrs. Mary S. Lamontagne	222	10	100	—
Donald D. Lougheed	1,000	—	—	—
John R. McCaig	1,000	10	—	—
W.C.Y. McGregor	—	—	200	—
Paul E. Martin	100	—	100	—
J.W.E. Mingo	15,100	—	—	—
Maurice J. Moreau	2,163	100	—	1,500
Edward G. Rowe	150	—	—	—
John G. Sheppard	2,000	—	1,500	1,000
William P. Wilder	10,000	—	—	—

The above information was furnished by each nominee. Fractional share interests are not shown.

⁽¹⁾Mr. Isautier currently has the right to acquire ownership of 10,000 common shares out of the 350,000 under option.

Remuneration of Directors in 1986

Under the current remuneration policy of CDC, each director receives an annual fee of \$8,000. There is an additional annual fee of \$5,000 for membership on the Executive Committee and \$3,000 for membership on the Audit Committee. No additional fee is paid for membership on the Human Resources and Compensation Committee or the Nominating Committee. The Chairman of the Audit Committee receives an additional annual fee of \$1,000. A fee of \$600 per meeting is paid for each meeting of the Board of Directors or of any committee of the Board of Directors attended by a member. However, if a committee meeting is held on the same day as a meeting of the Board of Directors, and lasts less than one-half hour, the fee is \$150. CDC employees who are also directors of CDC or any of its subsidiaries do not receive compensation for service as a member of those boards or any of their committees. If two committees hold a joint meeting, only one fee is paid. For participation by telephone at a meeting that lasts less than one-half hour, the fee is \$150.

The information set out in the table below includes the aggregate of all fees paid to directors for serving on the Board of Directors of CDC and its committees. The table also sets out the remuneration received by those directors who also serve as directors of subsidiaries in accordance with the remuneration policies of those subsidiaries.

Directors' fees paid in 1986

*Remuneration of directors as such
Number of Directors: 25(1)
Corporation incurring the expense:*

CDC	\$255,042
Canterra Energy Ltd.	28,364
Polysar Limited	8,000
AES Data Inc.	2,100
Savin Corporation	38,304
CDC Life Sciences Inc.	6,800
Connaught Laboratories Ltd.	3,925
Bio-Research Laboratories Ltd.	5,025
Kidd Creek Mines Ltd.	26,500
Sentrol Systems Ltd.	1,500
Total	\$375,560

EXECUTIVE COMPENSATION

Cash Compensation

The following table sets forth the total cash compensation paid to CDC's seven executive officers in 1986.

Remuneration of executive officers

Paid by CDC	\$1,147,679
Paid by Canterra	138,429
Total	\$1,286,108

Compensation Pursuant to Plans

Annual Incentive Plan—Annual cash bonus awards may be granted to executive officers (and other officers and key employees) as determined by the Human Resources and Compensation Committee in the month of March or April. The amount of the awards, if any, to be paid in respect of the 1986 fiscal year has not yet been determined.

Stock Option Plan—Under the 1985 Employee Stock Option Plan, options are granted from time to time to employees to purchase common shares of CDC at an exercise price equal to the closing price of the common shares on The Toronto Stock Exchange on the date of a grant. The selection of participants and the number of options is determined by the Human Resources and Compensation Committee, based on factors such as impact on corporate financial performance and attainment of long-term strategic goals, responsibilities, salary levels and, to a lesser degree, length of service. In 1986, options to purchase 350,000 common shares were granted to executive officers at a weighted average exercise price of \$6.45 per common share.

The options outstanding to purchase common shares under the 1985 Employee Stock Option Plan are:

	Common shares	Exercise price	Expiration date
Executive officers as a group (7) . . .	699,675	\$8.50	March 17, 1995
	50,000	\$9.875	March 18, 1996
	300,000	\$5.875	September 16, 1996
Other employees as a group	366,375	\$8.50	March 17, 1995
	6,500	\$9.875	March 18, 1996

Retirement Plans—Executive officers participate in the non-contributory defined benefit plan (the "Pension Plan") established for all employees. In addition, agreements providing for supplementary retiring

(1) The number of persons who served as directors during 1986.

allowances ("Supplementary Allowances") have been entered into between CDC and certain officers selected on the basis of length of service. The amounts payable to officers under the Pension Plan, when supplemented by Supplementary Allowances, are based on years of service and the average of the best consecutive thirty-six calendar months of pensionable earnings, which earnings are based on regular salary only. The amounts payable upon retirement at age 65 will be 2% (2.5% in the case of one executive officer) of the average pensionable earnings multiplied by the number of years of service, less an amount to offset in part sums received from the Canada Pension Plan.

In 1986, CDC's contributions to fund the Pension Plan amounted to 4% of the pensionable earnings of all employees, including \$20,200, being the estimated cost of pensions to be paid to executive officers. In 1986, the cost of funding the Supplementary Allowances was \$163,700. No amounts are contributed or charged to the Pension Plan with respect to benefits which are payable as Supplementary Allowances.

Other Benefits

The aggregate amount of compensation to executive officers in 1986, in the form of personal benefits such as annual medical examinations, financial counselling and use of company-owned or leased cars, totalled approximately \$62,921.

Termination Arrangements

Employees of CDC, including certain executive officers, are entitled to compensation upon the occurrence of certain events, including termination of their employment prior to October 1, 1987. Each such employee is entitled to receive severance payments equal to a multiple of monthly compensation, up to a maximum of 24 months.

One executive officer is entitled to severance payments of up to 24 months of compensation and to the acceleration of vesting of stock options upon the occurrence or non-occurrence of certain events, including termination of his employment.

Another executive officer is entitled, upon termination of his employment, to receive in the aggregate, the equivalent of 19 months of current monthly compensation, payable in equal annual payments over nine years plus certain fringe benefits for a period of approximately two and one-half years.

Indebtedness

In January 1986, Mr. N.G.D. Gray had an outstanding interest-free housing loan amounting to \$18,250 which has since been reduced to \$16,375.

LIABILITY INSURANCE

The directors and officers of CDC and its subsidiaries as a group are insured against certain liabilities pursuant to directors' and officers' liability insurance-policies covering CDC and its subsidiaries. The general effect of these policies is that, if during the policy period any claims are made against such directors or officers for a wrongful act (as defined in the policy) while acting in their capacities as directors or officers, the insurers will pay for the loss (as defined in the policy) which the director or officers become obligated to pay, up to an aggregate primary limit of U.S. \$15,000,000 worldwide and with an excess layer of Can. \$5,000,000 available for claims brought within Canada, each policy year. The corporate reimbursement deductible is U.S. \$750,000 per loss.

In 1986, the portion of the total premium attributable to directors and officers of CDC as a group was U.S. \$190,928 plus Can. \$32,951 and was paid by CDC.

APPOINTMENT OF AUDITORS

(see item 2 on proxy form)

The persons whose names are printed on the proxy form intend to vote for the reappointment of Thorne Ernst & Whinney, Chartered Accountants, as auditors of CDC. Thorne Ernst & Whinney (or their predecessors) have been the auditors of CDC since its establishment in 1971.

VOTING SHARES AT THE MEETING

Only shareholders of record of common shares, 1980 preferred shares and Class B preferred shares at the close of business on the day immediately preceding the mailing of the Notice accompanying this Circular will be entitled to notice of and to vote in person or by proxy at the Meeting or any adjournment thereof. A person who acquires such shares after that day will be entitled to vote the shares upon making a written request to that effect by May 17, 1987 to the Secretary of CDC at the executive offices, Toronto, and establishing that such person owns such shares.

In accordance with the Canada Development Corporation Reorganization Act, the Articles of CDC contain provisions limiting the ownership of securities which carry more than 25% of the votes in the case of a resident of Canada (as defined) and more than 10% in the case of a non-resident (as defined). In addition, non-residents, in the aggregate, may not hold securities carrying more than 25% of the votes. Shares held in contravention of these provisions are not entitled to be voted. The Board of Directors of CDC is not aware of any shares held in contravention of the Articles of CDC.

There are outstanding 42,248,100 common shares (each of which carries one vote), 15,000,000 1980 preferred shares (each of which carries one vote) and 876,157 Class B preferred shares (each of which carries ten votes). The number of common shares do not include fractional share interests aggregating 2,518 common shares which cannot be voted.

Common shares (excluding fractional share interests) purchased through the Dividend Reinvestment and Share Purchase Plans, and for which certificates have not been issued in the name of the participants, will be voted in the same manner as a participant's proxy form instructs that shares registered in that participant's name should be voted.

Principal Holders of Securities

The Government of Canada is the registered holder of 8,886,344 common shares representing approximately 21.1% of the common shares and carrying 13.5% of the voting rights attached to all voting shares of CDC; Noranda Inc., Toronto, Ontario, is the registered holder of 6,500,000 common shares representing approximately 15.4% of the common shares and 9.9% of the voting rights attaching to all voting shares; Bantor Company, Toronto, Ontario, a nominee of The Toronto-Dominion Bank, is the registered holder of 138,615 Class B preferred shares representing approximately 15.8% of the Class B preferred shares outstanding and 663,900 of the 1980 preferred shares representing approximately 4.4% of the 1980 preferred shares outstanding, both holdings carrying in aggregate approximately 3.1% of the voting rights attaching to all voting shares.

SOLICITATION OF PROXIES

The solicitation of proxies by the management of CDC is primarily made through distribution by mail of this circular and the form of proxy to the shareholders. Regular employees of CDC may also solicit proxies personally. Any expense incurred in soliciting proxies will be paid by CDC.

Proxies

Shareholders who are unable to be present at the meeting may still vote through the use of proxies. By completing and returning the enclosed proxy form, you can participate in the meeting through the person or persons named on the form. **Please indicate the way in which you wish to vote on each item of business and your vote will be cast accordingly. If you do not indicate a preference, the shares will be**

voted for the election of directors and for the appointment of auditors.

The proxy confers discretionary authority upon the persons named with respect to amendments to the above matters or on other matters which may come before the meeting and will be voted in accordance with the best judgment of the person voting the proxy. Management of CDC knows of no other matters which may come before the meeting. Any resolution submitted to a vote shall be passed when approved by a majority of the votes cast by the shareholders who voted in respect of that resolution.

Alternate Proxy

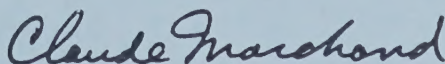
A shareholder has the right to nominate a person other than those designated on the proxy form by crossing out the printed names and inserting the name of the person he or she wishes to have act as proxy, or by completing another proxy form. Proxy forms which appoint persons other than those whose name is printed on the form should be submitted to the appointed person rather than returned to CDC. A person acting as proxy need not be a shareholder of CDC.

Revocation of Proxies

A proxy may be revoked by written notice from the shareholder or the shareholder's authorized representative. If the shareholder is a corporation, notice of revocation of proxy must be endorsed by the corporate seal by an officer or by an authorized attorney. Notice of revocation of proxy must be deposited either at the executive office of CDC in Toronto, at any time up to and including the last business day preceding the day of the meeting (or any adjournment of the meeting), or with the Chairman of the meeting on the day of the meeting or the day of the adjournment.

DIRECTORS' APPROVAL

The contents and sending of this circular have been approved by the Board of Directors. The information is as of March 31, 1987.



Claude R. Marchand,
Senior Vice President and Secretary

Toronto, March 31, 1987

